

TOWN OF STONEWALL, LOUISIANA

Annual Financial Statements

June 30, 2012

TOWN OF STONEWALL, LOUISIANA

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

The Honorable Charles Waldon, Mayor
and the Members of the Town Council
Town of Stonewall, Louisiana

I have audited the accompanying financial statements of the governmental activities and the general fund of the Town of Stonewall, Louisiana, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Stonewall, Louisiana's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Town of Stonewall, Louisiana, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 14, 2012, on my consideration of the Town of Stonewall, Louisiana's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed as required supplementary information (part I) in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. However, the management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the financial statements and; accordingly, I do not express an opinion or provide any assurance on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Stonewall, Louisiana's financial statements as a whole. The budgetary comparison schedule listed as required supplementary information (part II) in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison statement is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Handwritten signature of Deborah A. Allen, CPA in blue ink.

Mansfield, Louisiana

November 14, 2012

REQUIRED SUPPLEMENTAL INFORMATION (PART I)

TOWN OF STONEWALL, LOUISIANA

Management's Discussion and Analysis

June 30, 2012

As management of the Town of Stonewall, Louisiana, we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Stonewall as of and for the year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

Financial Highlights

The Town experienced an increase in its net assets by 15.94% (\$327,522) during the fiscal year ended June 30, 2012, compared to an increase of \$174,181 (9.26%) the prior year. At June 30, 2012, the assets of the Town exceeded its liabilities by \$2,382,393 compared to prior year's ending net assets of \$2,054,871. This increase is primarily due to an increase in capital assets and an increase in grant revenue, franchise taxes, occupational licenses and police fines during the year.

The Town's total revenues increased \$125,092 or 16.64% to \$876,793 for fiscal year ended June 30, 2012 from \$751,701 in June 30, 2011.

As of the close of the fiscal year, the Town's governmental funds reported an ending fund balance of \$842,479, an increase of \$39,277 from the \$803,202 fund balance for the prior year.

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the Town of Stonewall's basic financial statements. The Town's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements include two kinds of financial statements that present different views of the Town—the **Government-wide Financial Statements** and the **Fund Financial Statements**. These financial statements also include the **Notes to the Financial Statements** that explain some of the information in the financial statements and provide additional detail. This report also contains additional required supplementary information—a budgetary schedule—in addition to the basic financial statements. These components are described below:

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Stonewall's finances in a manner similar to a private-sector business. The government-wide financial statements include two statements:

The *statement of net assets* presents information on all of the Town of Stonewall's assets and liabilities, with the difference between the two reported as *net assets*. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Stonewall is improving or deteriorating.

The *statement of activities* presents information showing how the Town of Stonewall's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Government-Wide financial statements can be found immediately following this discussion and analysis.

Fund financial statements.

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Stonewall, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Town of Stonewall has one governmental fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in evaluating a government's near-term financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds financial statements can be found immediately following the government-wide financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The Town of Stonewall adopts an annual budget for the general fund. A budgetary comparison statement is provided for the general fund to demonstrate budgetary compliance.

Financial Analysis of Government-wide Activities

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's net assets totaled \$2,382,393 at June 30, 2012.

The portion of the Town's net assets of \$1,539,914 (65%) at June 30, 2012 reflect its investment in capital assets (e.g. land, buildings, improvements and equipment); less any related debt used to acquire those assets that is still outstanding compared to \$1,251,669 (61%) as of June 30, 2011. The Town uses these capital assets to provide services to the citizens of the Town; consequently, these assets are not available for future spending.

The remaining portion of the Town's net assets, \$842,479 (35.36%) and \$665,327 (30.85%) as of June 30, 2012 and 2011, respectively, is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors at the discretion of the mayor and councilmen. \$797,614 (94.67%) of the unrestricted net assets of the Town consists of cash, demand deposits, and certificates of deposit compared to \$658,071 (98.91%) for the prior year. For June 30, 2011 an additional portion of the Town's net assets, \$137,875 (6.71%) represents resources that are subject to external restriction on how they may be used. These restrictions were satisfied in 2012.

A summary of the Statement of Net Assets is below:

	June 30, 2012	June 30, 2011
ASSETS		
Cash and cash equivalents	\$ 528,914	\$ 390,809
Restricted Cash	-	137,875
Investments	268,700	267,262
Accounts receivable	53,241	2,077
Utility deposits	55	55
Prepaid expenses	10,589	9,335
Capital assets (net of accumulated depreciation)	1,539,914	1,251,669
TOTAL ASSETS	2,401,413	2,059,082
LIABILITIES		
Accounts payable	11,040	9,671
Current deferred revenue	4,560	4,560
Long -term deferred revenue-assessor prepaid rent	3,420	7,980
TOTAL LIABILITIES	19,020	22,211
NET ASSETS		
Invested in capital assets, net of related debt	1,539,914	1,251,669
Restricted for park renovations	-	137,875
Unrestricted	842,479	665,327
TOTAL NET ASSETS	\$ 2,382,393	\$ 2,054,871

Changes in net assets

The Town's net assets increased by \$327,522 (15.94%) during the year ended June 30, 2012, compared to an increase of \$174,181 (9.26%) in 2011. General revenue increased by \$47,957 while program revenue increased by \$77,135 due primarily to an increase in grant revenues and police fines.

\$213,565 (25.59%) of the Town's total revenues was derived through charges for services during 2012 compared to \$192,390 (25.6%) for the prior year. The Town received \$131,436 (14.99%) and \$75,476 (10.04%) of its total revenues through program grants and contributions during 2012 and 2011, respectively. \$531,792 (60.65%) was derived from general revenues including sales taxes, franchise taxes, occupational license, rent, and interest compared to \$483,835 (64.37%) during 2011. The net effect of the *increase* in revenue is \$125,092 or 16.64%.

The expenses were down \$28,249 or 4.89%. The largest expenses were for public safety \$252,381 (45.95%), general and administrative \$180,565 (32.87%), and public works \$86,863 (15.81%).

A summary of the Statement of Activities is below:

	For the year ended June 30, 2012	For the year ended June 30, 2011
Revenue		
Program revenues:		
Charges for services	\$ 213,565	\$ 192,390
Grants, operations	19,518	35,735
Grants, capital	111,918	39,741
General revenues:		
Sales tax	256,001	284,863
Franchise tax	151,896	112,916
License & permits	110,538	78,682
Other general revenue	10,543	807
Interest	1,845	2,299
Gain on sale of assets	969	4,268
Total revenues	<u>876,793</u>	<u>751,701</u>
Expenses		
General and administrative	180,565	258,969
Public safety	252,381	209,102
Public works	86,863	70,573
Parks and recreation	21,175	24,870
Economic Development	8,287	14,006
Total expenses	<u>549,271</u>	<u>577,520</u>
Increase (decrease) in net assets	327,522	174,181
Net assets beginning of year	2,054,871	1,880,690
Net assets end of year	<u>\$ 2,382,393</u>	<u>\$ 2,054,871</u>

Financial Analysis of the Governmental Funds

As noted earlier, the Town of Stonewall uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Town has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. See the Notes to the Financial Statements, Summary of Significant Accounting Policies, *Equity*.

At June 30, 2012, the General Fund's unassigned fund balance of \$831,835 shows an increase of \$175,898 (26.82%) in comparison to \$655,937 at June 30, 2011. This is due to the decrease in restricted funds of \$137,875 as the community center renovations were completed.

General Fund Budgetary Highlights

Formal budgetary integration is employed as a management control device during the fiscal year. The budget policy of the Town complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA – R.S. 39:1301 et seq.). The Town did not amend the original budget during the period ended June 30, 2012.

Capital Asset and Debt Administration

Capital assets The Town of Stonewall's investment in capital assets for its governmental activities as of June 30, 2012, totaled \$1,539,914 (net of accumulated depreciation of \$586,699). This investment includes land, buildings, furniture, equipment and infrastructure.) The net increase in capital assets for the year was \$374,839. This includes additions of \$378,379 for renovations of the community center and Town Hall, land for a new future Town Hall, and the disposal of a police car with a historical cost of \$3,540.

Long-term debt The Town of Stonewall has no debt outstanding.

Economic Factors and Next Year's Budget

For the fiscal year ending June 30, 2012, the following factors were considered when the budget was prepared:

- General revenues and police fines will remain consistent with the prior year.
- The Town does not expect to receive significant grant monies
- Other expenditures are expected to remain steady with the prior year.

Requests for Information

This financial report is designed to provide a general overview of the Town of Stonewall's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Stonewall, P. O. Box 92, Stonewall, LA 71078.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF STONEWALL, LOUISIANA
STATEMENT OF NET ASSETS
June 30, 2012

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	\$ 528,914
Investments	268,700
Accounts receivable	53,241
Prepaid expenses	10,589
Deposits	55
Capital assets, net of depreciation	1,539,914
TOTAL ASSETS	\$ 2,401,413
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 9,937
Payroll liabilities	1,103
Deferred lease revenue, due within one year	4,560
Total current liabilities	15,600
Long-term liabilities:	
Deferred lease revenue	3,420
TOTAL LIABILITIES	\$ 19,020
NET ASSETS	
Invested in capital assets, net of related debt	\$ 1,539,914
Unrestricted	842,479
TOTAL NET ASSETS	\$ 2,382,393

TOWN OF STONEWALL, LOUISIANA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Governmental Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
General government					
Administration	\$ 170,344	\$ 2,873	\$ -	\$ -	\$ (167,471)
Building and grounds	10,221	3,600	-	70,000	63,379
Public safety-police	252,381	204,896	19,518	-	(27,967)
Public works: streets	86,863	2,196	-	-	(84,667)
Economic development	8,287	-	-	1,918	(6,369)
Parks and recreation	21,175	-	-	40,000	18,825
Total Governmental Activities	\$ <u>549,271</u>	\$ <u>213,565</u>	\$ <u>19,518</u>	\$ <u>111,918</u>	<u>(204,270)</u>

General Revenues:

Sales tax	256,001
Franchise taxes	151,896
Occupational licenses	110,538
Investment earnings	1,845
Other general revenue	10,543
Gain/(Loss) on sale of assets	969
Total General Revenues	<u>531,792</u>
Change in Net Assets	327,522
Net Assets Beginning	<u>2,054,871</u>
Net Assets Ending	<u>\$ 2,382,393</u>

FUND FINANCIAL STATEMENTS

TOWN OF STONEWALL, LOUISIANA
BALANCE SHEET, GOVERNMENTAL FUNDS
June 30, 2012

	General Fund
ASSETS	
Cash and cash equivalents	\$ 528,914
Investments	268,700
Accounts receivable	53,241
Prepaid insurance	10,589
Deposits	55
TOTAL ASSETS	\$ 861,499
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 9,937
Payroll liabilities	1,103
Deferred lease revenue, current	4,560
Deferred lease revenue, long-term	3,420
Total Liabilities	19,020
Fund Balances:	
Nonspendable	10,644
Unassigned	831,835
Total Fund Balances	842,479
TOTAL LIABILITIES AND FUND BALANCES	\$ 861,499

Reconciliation of Fund Balance of Governmental Funds to the Governmental Activities
in the Statement of Net Assets

Fund Balance of Governmental Funds	\$ 842,479
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in funds

Add capital assets	\$ 2,126,613	
Less accumulated depreciation	(586,699)	1,539,914
Net Assets of Governmental Activities in the Statement of Net Assets	\$ 2,382,393	

TOWN OF STONEWALL, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2012

	<u>General Fund</u>
Revenues	
Sales taxes	\$ 256,001
Franchise taxes	151,896
Intergovernmental revenue	
State grants	71,918
Local grants	25,000
Reimbursements	19,518
Licenses and permits	116,334
Charges for services	2,873
Fines and forfeitures	204,896
Interest income	1,845
Donations	15,000
Other	10,543
Total Revenues	<u>875,824</u>
Expenditures	
Current:	
General government	166,548
Public safety-Police	230,588
Public works- Streets and right of ways	41,910
Economic development	8,287
Parks and recreation	11,804
Capital outlays	378,379
Total Expenditures	<u>837,516</u>
Net Change in Fund Balance before Other Financing Source	<u>38,308</u>
Other Financing Source	
Sale of assets	969
Total Other Financing Source	<u>969</u>
Net Change in Fund Balance	39,277
Fund balance, beginning of year	<u>803,202</u>
Fund balance, end of year	<u>\$ 842,479</u>

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund Balance--governmental funds	\$ 39,277
Governmental funds report capital outlays as expenditures. However, the the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$378,379) exceeds depreciation expense (\$90,134) in the current period.	<u>288,245</u>
Change in Net Assets, Statement of Activities	<u>\$ 327,522</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF STONEWALL
NOTES TO THE FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2012

INTRODUCTION

The Town of Stonewall, Louisiana (*The Town*) was incorporated on July 12, 1972, under the provisions of the Lawrason Act. The Town operates under the Mayor-Council form of government and provides the following services as authorized by the Act: public safety-police; sanitation; public improvements; culture and recreation and general services. The Town is located in the northwest Louisiana parish of DeSoto and has a population of 1,800, more or less. The Town employs ten.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

Reporting Entity

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement no. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. This report includes all funds that are controlled by or dependent on the Town's Executive and Legislative Branches (The Mayor and Town Council).

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the District's activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as *general revenues*. The effect of interfund activity has been removed from the government-wide financial statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are recorded when liabilities are incurred.

TOWN OF STONEWALL
NOTES TO THE FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Sales and use tax revenues are recorded in the month received by the Town. Fines, fees, and court costs are recognized in the period they are collected. Franchise taxes are susceptible to accrual. Occupational licenses are not susceptible to accrual because generally they are not measurable until received in cash.

Federal and state entitlements are recorded when available and measurable.

Interest income on demand and time deposits is recorded when the interest has been earned.

Substantially all other revenues are recorded when they become available to the town.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The municipality reports the following major governmental fund:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Cash and Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, amounts in demand deposits, interest bearing demand deposits. Under state law the Town may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government-backed agency securities, or certificates and time deposits of state bank organized under Louisiana law and national banks having principal offices in Louisiana. These are classified as investments if their original maturities exceed 182 days. All investments are recorded at fair value based on quoted market prices.

Prepaid Expenses

Prepaid items consist of insurance paid in the current year for the next period.

TOWN OF STONEWALL
NOTES TO THE FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	20-40 years
Furniture and fixtures	5-10 years
Vehicles	5-15 years
Equipment	5-20 years

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an assets are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. In connection with implementation of GASB No. 34, the Town established a threshold of \$1,000 for capitalization of depreciable assets.

Capital assets are reported in the government-wide financial statements but not in the fund financial statements. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes by the town, no salvage value is taken into consideration for depreciation purposes.

Compensated Absences

The Town has the following policy relating to vacation and sick leave:

A full-time employee after completing one year of continuous employment from the date of hire is eligible for forty hours vacation with pay. An employee, upon completion of two years continuous employment from the date of hire is eligible for eighty hours of vacation with pay. Upon completion of eight years of continuous employment, the employee is eligible for three weeks of vacation with pay. No more than forty hours may be carried over from one year to the next without the Mayor's permission.

Each employee is granted five days sick leave with pay annually with an extension of up to ten days if approved by the Mayor. Any extra sick days for long-term illness must be approved by the Town council. A maximum carry-over of five days is permissible.

The Town's recognition and measurement criteria for compensated absences follow:

The vacation leave is accrued as a liability as the benefits are earned by the employees. Sick leave is not accrued. At June 30, 2012, there are no accumulated or vested benefits relating to vacation and sick leave. The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the General Fund when leave is actually taken.

Sales and Use Taxes

The Town of Stonewall has a one per cent sales and use tax approved by the voters on May 23, 1988, for an indefinite period. The tax, after all necessary costs for collection and administration, is authorized to be used by the governing authority of the Town of Stonewall on behalf of the Town and its residents for any lawful corporate purpose for which any funds of the Town may be expended.

TOWN OF STONEWALL
NOTES TO THE FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those amounts.

Equity

Net Assets. In the government-wide financial statements, fund equity (the difference between assets and liabilities) is classified as net assets and reported in three components:

- a. *Invested in capital assets, net of related debt*—Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net assets*—Consists of net assets with constraints placed on the use by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets*—Consists of all other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the event the Town, for the same function or purpose, receives restricted and unrestricted monies, the policy is to first apply restricted resources when an expenditure is incurred.

Fund Balance. For year end June 30, 2011, the Town adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements.

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts can be spent. The classifications used in the governmental fund financial statements are as follows:

- a. *Nonspendable:* Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The Town has classified deposits and prepaid items as begin Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- b. *Restricted:* Amounts that can be spent only for specific purposes because of the Town's charter or codes, state or federal laws, or externally imposed conditions by grantors or creditors. The Town did not have any restricted resources as of June 30, 2012.
- c. *Committed:* Amounts that can be used only for specific purposes determined by a formal action by Town Council ordinance or resolution. The Town did not have any committed resources as of June 30, 2012.
- d. *Assigned:* Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by Town Council. The Town did not have any assigned resources as of June 30, 2012.
- e. *Unassigned:* All amounts not included in other spendable classifications.

The Town would typically use Restricted fund balance first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

TOWN OF STONEWALL
NOTES TO THE FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2012

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents:

At June 30, 2012, the Town has cash and cash equivalents (book balances) in demand deposits totaling \$528,914. These deposits are stated at cost, which approximates market.

Investments:

At June 30, 2012, the Town has the following investments:

Type of Investment	Fair Value	Maturities	
		1 year or less	Greater than 1 year
Certificates of Deposit	\$ 268,700	\$ 268,700	
Total Investments	\$ 268,700	\$ 268,700	

Investment valuation. Certificates of deposit are stated as cost, which approximates market.

The cash and investments of the Town of Stonewall are subject to the following risks:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Town's name.

At June 30, 2012, the Town had collected bank balances of totaling \$707,820. These deposits are secured from risk by \$275,341 of federal deposit insurance and \$111,986 of NCUA insurance. The remaining balance is secured by pledged securities held by the custodial bank in the name of the Town with a market value of \$482,858.

Interest Rate Risk: This is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of any investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the Town's certificates of deposit have maturities of one year or less which limits exposure to fair value losses arising from rising interest rates.

NOTE 3. RECEIVABLES

Substantially all receivables are considered to be fully collectible and no allowances for uncollectible is used. The Town's receivables of \$53,241 at June 30, 2012, are as follows:

Franchise tax	\$ 32,520
Licenses	18,810
Reimbursements	1,461
Other revenue	450
Total	<u>\$ 53,241</u>

TOWN OF STONEWALL
NOTES TO THE FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2012

NOTE 4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the ended June 30, 2012, for the Town is as follows:

	Balance 6/30/2011	Increases	Reclassifications/ Decreases	Balance 6/30/2012
Capital assets, not being depreciated				
Land	\$ 214,713	\$ 37,920	\$ -	\$ 252,633
Total capital assets, not being depreciated	\$ 214,713	\$ 37,920	\$ -	\$ 252,633
Capital assets being depreciated				
Buildings	\$ 287,440	\$ 333,359	\$ -	\$ 620,799
Equipment and furniture	115,387	26,008	-	141,395
Heavy Machinery	32,815	-	-	32,815
Improvements	972,409	-	-	972,409
Vehicles	102,527	-	(3,540)	98,987
Construction in progress	26,483	7,575	(26,483)	7,575
Total capital assets being depreciated	1,537,061	366,942	(30,023)	1,873,980
Less accumulated depreciation for				
General government	149,487	14,017	-	163,504
Public Safety	90,775	21,794	(3,540)	109,029
Culture and recreation	59,443	9,371	-	68,814
Public Works	200,399	44,953	-	245,352
Total accumulated depreciation	500,104	90,135	(3,540)	586,699
Total Capital assets being depreciated net	\$ 1,251,669	276,807	(26,483)	\$ 1,539,914

Depreciation expense of \$90,135 for the year ended June 30, 2012, was charged to the following governmental functions:

General government	\$ 14,017
Public safety	21,794
Public works	44,953
Culture and recreation	9,371
	<u>\$ 90,135</u>

NOTE 5. PENSION PLAN

All employees of the Town are members of the Social Security System. The Town does not guarantee the benefits granted by the Social Security System. The Town also provides an up to three percent matching contribution to employees through a retirement benefit plan. The Town's expense for year end June 30, 2012, is \$2,566.

NOTE 6. LITIGATION AND CLAIMS

The Town of Stonewall is not involved in any litigation at June 30, 2012, nor is it aware of any unasserted claims.

NOTE 7. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. To handle such risk of loss, the Town maintains commercial insurance policies covering automobiles, professional liability and surety bond coverage. No claims were paid on any of the policies during the past three years, which exceeded the policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended .

TOWN OF STONEWALL
NOTES TO THE FINANCIAL STATEMENTS
As of and For the Year Ended June 30, 2012

NOTE 8. ON-BEHALF PAYMENTS

The Town recognizes as general fund revenues and expenses supplemental pay made by the State of Louisiana to the Town's police employees. For year ended June 30, 2012, the State made contributions of \$8,500.

NOTE 9. PER DIEM/REIMBURSEMENTS TO MAYOR AND TOWN COUNCIL

Per Diem and reimbursements paid to the Mayor and Town Council for the year ended June 30, 2012, are as follows:

	Compensation	Reimbursed Expenses	Total
Mayor Charles Waldon	\$ 16,200	\$ 256	\$ 16,456
Town Council			
Curtis McCune, Jr.	600	237	837
Patrick Loftus	600	-	600
Dot Simmons	600	-	600
Nicholas Gasper	600	-	600
Margaret Dickerson	600	281	881
Total	<u>\$ 19,200</u>	<u>\$ 493</u>	<u>\$ 17,293</u>

NOTE 10. COOPERATIVE ENDEAVOR AGREEMENTS

In April, 2004, the Town entered into a cooperative endeavor agreement with the DeSoto Parish Assessor to construct offices for a satellite Tax Assessor's office. The DeSoto Parish Assessor transferred \$45,600 to the Town of Stonewall as prepayment for a 10-year lease for this office. The Town in turn purchased space for the Assessor's office. The Town recognized lease income of \$4,560 for fiscal year ending June 30, 2012. The remaining lease balance of \$7,980 is reported as deferred lease income.

In May, 2005, the Town entered into a cooperative endeavor agreement with the DeSoto Parish School Board to release unused school property for another twenty-five years to the Town. The Town currently utilizes the property to house DeSoto Fire District No. 3 and the park. Lease expense recognized for June 30, 2012, was \$6.

In December, 2009, the Town entered into a cooperative endeavor agreement with the DeSoto Parish Police Jury to develop a community/recreation center on property leased from the DeSoto Parish School Board (see second paragraph above). The Town expended the prior year restricted amount of \$137,875 during the year ended June 30, 2012. The Town of Stonewall also received an additional \$25,000 during the year ended June 30, 2012, for this project.

NOTE 11. RELATED PARTY TRANSACTIONS

Procedures, observations, and inquiries did not disclose any material related party transactions for this fiscal year ended June 30, 2012.

NOTE 12. SUBSEQUENT EVENTS

Management has performed an evaluation of the Town's activities through November 15, 2012, and has concluded that there are no significant events requiring recognition or disclosure through the date and time these financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)

TOWN OF STONEWALL, LOUISIANA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Sales taxes	\$ 215,000	\$ 215,000	\$ 256,001	\$ 41,001
Franchise taxes	65,000	65,000	151,896	86,896
Intergovernmental revenue				
State grants	490,000	490,000	71,918	(418,083)
Local grants	-	-	25,000	25,000
Reimbursements	30,800	30,800	19,518	(11,282)
License and permits	81,700	81,700	116,334	34,634
Charges for services	2,276	2,276	2,873	597
Court fines and forfeitures	160,000	160,000	204,896	44,896
Investment earnings	3,000	3,000	1,845	(1,155)
Donations	(276)	(276)	15,000	15,276
Other revenue	1,000	1,000	10,543	9,543
Total Revenues	1,048,500	1,048,500	875,824	(172,675)
Expenditures				
Current:				
General government administrative	170,000	170,000	156,327	13,673
Other general government	15,000	15,000	10,221	4,779
Public safety-police	262,000	262,000	230,588	31,412
Public works	90,000	90,000	41,910	48,090
Economic development	21,500	21,500	8,287	13,213
Parks and recreation	420,000	420,000	11,804	408,196
Capital outlay	70,000	70,000	378,379	(308,379)
Total Expenditures	1,048,500	1,048,500	837,516	210,983
Net Change in Fund Balance before other financing sources	-	-	38,308	38,308
Other financing source				
Insurance proceeds	-	-	969	969
Total other financing source	-	-	969	969
Net Change in Fund Balance	-	-	39,277	39,277
Fund balances, beginning of year	803,202	803,202	803,202	-
Fund balances, end of year	\$ 803,202	\$ 803,202	\$ 842,479	\$ 39,277

The accompanying notes are an integral part of the financial statements.

TOWN OF STONEWALL
NOTES TO THE BUDGETARY COMPARISON SCHEDULE

As of and For the Year Ended June 30, 2012

Budgetary Information

The proposed budget for June 30, 2012, fiscal year was adopted June 28, 2011, after being introduced by the Mayor and made available for public inspection at town hall of Stonewall, Louisiana. The Town of Stonewall's budget is prepared in accordance with accounting principles generally accepted in the United States of America. Budgets for most governmental funds are adopted annually on the modified cash basis of accounting. The budget was not amended during the year.

The Budgetary Comparison Schedule presents comparisons of the original and final legally adopted budget with the actual data.

Through the budget, the Town allocates its resources and establishes its priorities. The annual budget assures the efficient and effective uses of the Town's economic resources. It establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the Town's performance.

The following is the budget process of the Town:

The Mayor and Town Clerk prepare a proposed budget and submit the same to the Town Council members no later than fifteen days prior to the beginning of each fiscal year. The proposed budget is reviewed by the Town Council and made available to the public. At least ten days after publication of the call for a public hearing, the Town holds a public hearing on the proposed budget in order to receive comments from citizens. Changes are made to the proposed budget based on the public hearing and the desires of the Town Council as a whole. The budget is then adopted through the passage of an ordinance during the June meeting.

During the year, the Council receives monthly budget comparison statements, which are used as tools to control the operations of the Town. The Town Clerk presents necessary budget amendments to the board when she determines that actual operations are differing materially from those anticipated in the original budget. The Town Council in regular session reviews the proposed amendments, makes necessary changes, and formally adopts the amendments. The budget was not amended during the year. The Mayor and Town Council must approve all changes in the budget. The Town does not use encumbrance accounting in its accounting system.

The Louisiana Local Government Budget Act provides that "the total proposed expenditures shall not exceed the total of estimated funds available for the ensuing year." The "total estimated funds available" is the sum of the respective estimated fund balances at the beginning of the year and the anticipated revenues for the current year.

The Louisiana Revised Statute 39:1310 requires the operating budget of the general fund to be amended whenever 1) Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more; 2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more; or 3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures.

The Town's actual revenues for the year failed to meet total budgeted revenues by \$172,675 (16.47%).

OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* is presented in compliance with requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

**Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

The Honorable Charles Waldon
And the Members of the Town Council of
Town of Stonewall, Louisiana

I have audited the financial statements of the governmental activities and general fund of the Town of Stonewall, Louisiana, as of and for the year ended June 30, 2012, which collectively comprise the Town of Stonewall, Louisiana's basic financial statements and have issued my report thereon dated November 12, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*.

Internal Control Over Financial Reporting

Management of the Town of Stonewall is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered The Town of Stonewall's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Stonewall's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town of Stonewall's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Stonewall, Louisiana's, financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2012-01.

The Town of Stonewall's response to the finding identified in my audit is described in the accompanying schedule of findings and responses. I did not audit the Town of Stonewall's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Town of Stonewall, management of the Town's office and the Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is a public document and its distribution is not limited.

A handwritten signature in blue ink, reading "Delmar D. Allen, CPA". The signature is fluid and cursive, with the initials "D.D." being prominent.

Mansfield, Louisiana
November 14, 2012

AUDIT FINDINGS

TOWN OF STONEWALL, LOUISIANA
Schedule of Findings and Responses
For the Year ended June 30, 2012

SUMMARY OF AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT:

I have audited the basic financial statements of Town of Stonewall, Louisiana as of and for the year ended June 30, 2012, and have issued my report thereon dated November 14, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the basic financial statements as of June 30, 2012, resulted in an unqualified opinion.

REPORT ON INTERNAL CONTROL AND COMPLIANCE MATERIAL AND OTHER MATTERS TO THE FINANCIAL STATEMENTS:

Compliance

Compliance Material to Financial Statements	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Other Matters	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Internal Control

Significant Deficiency	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Material Weakness	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

FEDERAL AWARDS

Not applicable

MANAGEMENT LETTER

None was issued.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Included with Finding

Part II. Findings relating to the Financial Statements which are required to be reported under *Government Auditing Standards*.

FINDINGS RELATED TO COMPLIANCE

2012-01. The Town is out of compliance with Louisiana Local Government Budget Act

Criteria: Louisiana Revised Statue 39:1310 requires the operating budget of the general fund to be amended whenever total revenue for the year is failing to meet total budgeted revenues by five percent or more.

Finding: The actual revenues failed to meet the budgeted revenues by \$172,675 (16.47%),

Recommendation: The Town should amend the budget whenever total and projected revenues for the remainder of the year are failing to meet the budgeted revenues by five percent or more.

Management Response: Management will be more vigilant in amending the budget per the Louisiana Local Government Budget Act in the future.

TOWN OF STONEWALL, LOUISIANA
Summary Schedule of Prior Year Findings
For the year ended June 30, 2012

2011-01, 2010-01, 2009-01. Inadequate design of internal control over financial statement preparation.

Resolved.